

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name KMP Emergency	County Grand Traverse
Fiscal Year End March 31, 2007	Opinion Date May 8, 2007	Date Audit Report Submitted to State June 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

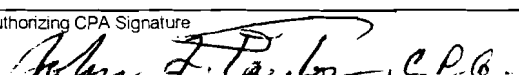
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789		
Street Address 134 W. Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name John F. Taylor, C.P.A.		License Number 1101008199

KMP EMERGENCY FACILITY

KINGSLEY, MICHIGAN

MARCH 31, 2007

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2007

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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May 8, 2007

INDEPENDENT AUDITORS' REPORT

To the KMP Emergency Facility Committee
Village of Kingsley, Mayfield Township and Paradise Township
Kingsley, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund, of the KMP Emergency Facility, Grand Traverse County, Kingsley, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Facility's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the KMP Emergency Facility's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the KMP Emergency Facility, Grand Traverse County, Kingsley, Michigan, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through vi and budgetary comparison information on page 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as “Other Information” in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole except as noted in the preceding paragraph.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

The KMP Emergency Facility is a joint venture which owns and operates a public building located in Kingsley, Michigan. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the KMP Emergency Facility's administration's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: Fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

B. Government-wide Financial Statements

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. The Facility's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

C. Summary of Net Assets

The following schedule summarizes the net assets at March 31, 2007:

Assets

Current Assets	\$ 8,505
Non Current Assets	
Capital Assets	\$ 127,029
Less Accumulated Depreciation	<u>80,538</u>
Total Non Current Assets	<u>\$ 46,491</u>
Total Assets	<u><u>\$ 54,996</u></u>

Liabilities

Current Liabilities	<u>\$ 5,667</u>
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Net Assets

Invested in Capital Assets	\$ 46,491
Unrestricted	<u>2,838</u>
Total Net Assets	<u>\$ 49,329</u>
Total Liabilities and Net Assets	<u><u>\$ 54,996</u></u>

D. Analysis of Financial Position

During the fiscal year ended March 31, 2007, the Facility's net assets decreased by \$3,934. The more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires KMP Emergency Facility to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended March 31, 2007, \$3,094 was recorded for depreciation expense.

E. Results of Operations

For the fiscal year ended March 31, 2007, the results of operations were:

	<u>Amount</u>	<u>% of Total</u>
General Revenues		
Investment Earnings	\$ 385	2.45%
Program Revenues		
Operating Grants and Contributions	\$ 11,305	72.05%
Charges for Services	4,000	25.50%
Total Program Revenues	\$ 15,305	97.55%
Total Revenues	\$ 15,690	100.00%
Expenses		
General Government	\$ 19,624	100.00%
Change in Net Assets	\$ (3,934)	

F. Analysis of Significant Revenues

Significant revenues are discussed in the segments below:

1. Operating Grants and Contributions

Paradise Township, Mayfield Township and the Village of Kingsley fund a portion of its operations with contributions. For the fiscal year ended March 31, 2007, contributions accounted for \$11,305.

2. Charges for Services

Rental income is another major source of revenue for the Facility. For the year ended March 31, 2007, rental income totaled \$4,000.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on March 31.

The following schedule shows a comparison of the final general fund budget and actual totals from operations.

	ORIGINAL AND FINAL BUDGET		ACTUAL
Total Revenues	\$	15,545	\$ 15,690
Total Expenditures	\$	19,545	\$ 16,530

H. Capital Asset

1. Capital Assets

At March 31, 2007, the Facility had \$127,029 in capital assets, including a building and building improvements. Depreciation expense for the year amounted to \$3,094 bringing the accumulated depreciation to \$80,538 as of March 31, 2007.

I. Factors Bearing on the Facility's Future

At the time that these financial statements were prepared and audited, the Facility was aware of the following items that could significantly affect its financial health in the future:

A significant portion of the Facility's funding comes from contributions from local units; any impairment to these funding sources would greatly impact the future of the Facility.

J. Contacting the Facility's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Facility's finances and to demonstrate the Facility's accountability for the money it receives. If you have questions about this report, please contact the KMP Emergency Facility, 115 Blair Street, Kingsley, MI 49649.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

ASSETS

Cash	\$ 7,505
Due from Other Governments	<u>1,000</u>
 Total Current Assets	 <u>\$ 8,505</u>

CAPITAL ASSETS

Buildings	\$ 93,489
Building Improvements	<u>33,540</u>
	\$ 127,029
Less Accumulated Depreciation	<u>80,538</u>
Net Capital Assets	<u>\$ 46,491</u>
 TOTAL ASSETS	 <u>\$ 54,996</u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 220
Deferred Revenue	<u>5,447</u>
 TOTAL LIABILITIES	 <u>\$ 5,667</u>

EQUITY

Net Assets:

Invested in Capital Assets	\$ 46,491
Unrestricted	<u>2,838</u>
 TOTAL NET ASSETS	 <u><u>\$ 49,329</u></u>

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES
MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
				Total
General Government	\$ 19,624	\$ 4,000	\$ 11,305	\$ (4,319)
<u>General Revenues</u>				
Unrestricted Investment Earnings				385
Change in Net Assets				\$ (3,934)
NET ASSETS - Beginning of Year				53,263
NET ASSETS - End of Year				\$ 49,329

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

GENERAL FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	\$ 7,505
Due from Other Governments	<u>1,000</u>
 TOTAL ASSETS	 <u><u>\$ 8,505</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 220
Deferred Revenue	<u>5,447</u>
 Total Liabilities	 \$ 5,667

FUND BALANCE

Unreserved	
Undesignated	<u>2,838</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 8,505</u></u>

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GENERAL FUND TO NET ASSETS

MARCH 31, 2007

Total Governmental Fund Balances	\$	2,838
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Buildings	93,489	
Building Improvements	33,540	
Accumulated Depreciation	<u>(80,538)</u>	<u>46,491</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>49,329</u></u>
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The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND

YEAR ENDED MARCH 31, 2007

REVENUES

Local Grants	
Contributions from Participating Units	\$ 11,305
Interest and Rents	
Interest	385
Rents	<u>4,000</u>
Total Revenues	<u>\$ 15,690</u>

EXPENDITURES

General Government	
Treasurer	\$ 550
Contracted Services	1,851
Heating Fuel	5,740
Electricity	4,065
Water and Sewer	483
Trash Removal	228
Building Supplies	400
Cleaning	920
Repairs and Maintenance	<u>2,293</u>
Total Expenditures	<u>\$ 16,530</u>
Excess (Deficiency) of Revenues	
Over Expenditures	\$ (840)

<u>FUND BALANCE</u> - Beginning of Year	<u>3,678</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 2,838</u></u>

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2007

Net change in Fund Balances - Total Governmental Funds	\$ (840)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.

Depreciation Expense	<u>(3,094)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,934)</u></u>
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The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The KMP Emergency Facility is a joint venture established to construct and maintain a town hall for the Village of Kingsley and Paradise Township, and a fire hall for the Village of Kingsley and Paradise and Mayfield Townships. Paradise Township has recently built its own town hall. Expenses in excess of rent receipts are underwritten by these units based on an allocation formula. The accounting policies of the KMP Emergency Facility, Kingsley, Michigan, conform to generally accepted accounting principles as applicable to governments. Under the criteria established by generally accepted accounting principles, the Facility has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Facility as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Facility only has a governmental fund called the General Fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Facility are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Facility considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Facility.

The Facility reports the following major governmental fund:

The General Fund is the primary operating fund of the Facility. It is used to account for all financial resources of the Facility.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Facility's investment policy is in accordance with state statutes and authorizes the Facility to invest in bank savings accounts, bank certificates of deposit, securities of the U.S. Government, and repurchase agreements from banks.

2. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	50 years
Building Improvements	20 years

The Facility's capitalization policy is to capitalize individual amounts exceeding \$1,000.

3. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

4. Fund Balance

In the financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on February 27, 2006.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

III. DETAILED NOTES ON GENERAL FUND

A. Deposits and Investments

The Facility's deposits and investments are all on deposit with Northwestern Bank of Kingsley.

Investment rate risk. The Facility will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Facility's cash requirement.

Foreign currency risk. The Facility is not authorized to invest in investments, which have this type of risk.

Credit risk. The Facility will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Facility's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Facility will do business in accordance with the Facility's investment policy.

Concentration of credit risk. The Facility will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Facility's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, none of the facility's bank balance of \$7,505 was exposed to custodial credit risk because none of it was uninsured and/or uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Facility held no investments.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

B. Capital Assets

A summary of changes in the Facility's capital assets follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Capital assets:				
Buildings	\$ 93,489	\$ 0	\$ 0	\$ 93,489
Building Improvements	33,540	0	0	33,540
Subtotal	\$ 127,029	\$ 0	\$ 0	\$ 127,029
Accumulated depreciation	77,444	3,094	0	80,538
Net capital assets	\$ 49,585	\$ 3,094	\$ 0	\$ 46,491

Depreciation expense for the fiscal year ended March 31, 2007 amounted to \$3,094.

C. Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and natural disasters for which it carries commercial insurance. Claims have not exceeded insurance limits for any of the last three years.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED MARCH 31, 2007

	<u>GENERAL FUND</u>	
	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Local Grants		
Contributions from Participating Units	\$ 11,305	\$ 11,305
Interest and Rents		
Interest	240	385
Rents	4,000	4,000
Total Revenues	\$ 15,545	\$ 15,690
<u>EXPENDITURES</u>		
General Government		
Treasurer	\$ 600	\$ 550
Contracted Services	0	1,851
Heating Fuel	7,100	5,740
Electricity	5,100	4,065
Water and Sewer	485	483
Trash Removal	250	228
Building Supplies	400	400
Cleaning	1,300	920
Repairs and Maintenance	4,310	2,293
Total Expenditures	\$ 19,545	\$ 16,530
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,000)	\$ (840)
<u>FUND BALANCE</u> - Beginning of Year	4,000	3,678
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 2,838

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
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May 8, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the KMP Emergency Facility Committee
Village of Kingsley, Mayfield Township and Paradise Township
Kingsley, Michigan

Dear Members of the Committee:

We have completed our audit of the financial statements of the KMP Emergency Facility and are communicating to you our findings and recommendations for the year ended March 31, 2007.

While conducting our audit, we noted that obtaining a complete and accurate final general ledger was problematic, as was also the case for the production of supporting schedules for balances in the general ledger. All of the above factors contributed to the significant delays in the ability to finalize the year-end financial statements. We suggest implementing a working general ledger, be it hand written or computerized.

Conclusion

We wish to take this opportunity to thank the Committee for the confidence they have expressed in our firm by awarding us this engagement. We hope these comments and recommendations will be viewed as constructive. Overall, we believe that the hard work and determination demonstrated by the Committee and employees of the Facility have enabled the Facility to be successful, and will continue to make it successful well into the future.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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May 8, 2007

LETTER OF SIGNIFICANT DEFICIENCIES

To the KMP Emergency Facility Committee
KMP Emergency Facility
Kingsley, Michigan

In planning and performing our audit of the financial statements of KMP Emergency Facility, Kingsley, Michigan for the year ended March 31, 2007, in accordance with auditing standards generally excepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The relatively small number of people involved in the accounting functions of the Facility makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Facility's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Facility has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Facility's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot, by definition, be considered a part of the government's *internal* controls. This condition was caused by the Facility's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Facility to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Facility's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.